 <p><b>JOHNS HOPKINS</b> MEDICINE JOHNS HOPKINS HEALTH SYSTEM</p>	<p><b>The Johns Hopkins Health System Policy &amp; Procedure</b></p>	<i>Policy Number</i>	FIN036	
		<i>Effective Date</i>	1-01-08	
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	SIGNATURE AUTHORITY: LEASES		<i>Supersedes</i>	10-01-06

*Revisions noted by vertical bar in right margin*

**POLICY**

**This policy applies to The Johns Hopkins Health System Corp. (JHHS) and the following affiliated entities: The Johns Hopkins Hospital (JHH), Johns Hopkins Bayview Medical Center (JHBMC), Howard County General Hospital (HCGH), Johns Hopkins Community Physicians (JHCP), Johns Hopkins Medical Services Corporation (JHMSC), Johns Hopkins Medicine International (JHMI), Ophthalmology Associates (OA), Johns Hopkins Employer Health Programs (EHP), Johns Hopkins Medical Management Corporation (JHMMC), Priority Partners (PP), Johns Hopkins Pharmaquip, Inc. (JHPQ), Johns Hopkins Home Health Services, Inc. (JHHHS), Johns Hopkins Pediatrics Home, Inc. (JHPAHI), Johns Hopkins HealthCare (JHHC), Johns Hopkins Home Care Group (JHHCG), Suburban Health Center (SHC), Broadway Acquisition and Development, and HCGH OB/GYN Associates Series, LLC (HCGH OBGYN).**

Purpose

The purpose of this policy is to establish signature authority for leasing commitments made by JHHS and its affiliates in order to safeguard the integrity of their financial obligations.

Definitions

Lease:

A lease is a contractual agreement between a lessor and a lessee that conveys to the lessee the right to use specific property (real or personal), owned by the lessor, for a specific period of time in return for stipulated, and generally periodic, cash payments.

Capital Lease:

A lease that is treated as a sale of the property by the lessor and purchase of the property by the lessee. Capital leases must meet at least one of the following criteria: (a) property title transfers at the end of the lease; (b) the lease contains a bargain purchase option (i.e., purchase for less than fair market value at the end of the lease) (c) lease term is at least 75 percent of the property's useful life; (d) at the inception of the lease, present value of the minimum lease payments (minus maintenance agreement costs) exceeds 90 percent of the fair market value of the leased property.

Operating Lease:


Lease agreement that is treated as a series of cash flows from the lessee to the lessor and that does not meet any of the criteria for capital leases.

Lease Execution

The process of executing a lease primarily results in the generation of three documents: the lease shopping cart form, the lease agreement, and the related purchase order. Signature authority levels differ for each of these documents. This policy applies to the signature authority for the lease shopping cart form and the lease agreement. Signature authority for lease purchase orders will follow JHHS Finance Policy No. FIN008 - Signature Authority: Purchase Orders and Agreements Supported By Purchase Orders. More information regarding the lease execution process and related accounting issues can be found in JHHS Finance Policy No. FIN035 - Leases.

Capital/Lease Shopping Cart

Leases are initiated by the completion of CAPP shopping cart (after review, analysis, and positive recommendation by the JHHS Capital Administrator) - including the sequential authorization by: the equipment user, Administrator/Department Head, Director of Clinical Engineering (clinical equipment only) or Radiology Physics and Engineering, JHHS Capital Administrator, Supply Chain Shared Services Center, and the affiliate Chief Financial Officer (CFO).

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The lease agreement must be signed according to the signature authority described in the table below. All leases for JHCP must also be signed by the JHCP Chief Executive Officer (CEO) or designee.

TOTAL LEASE AMOUNT	UP TO THREE (3) YEARS	EXCEEDS THREE (3) YEARS
< \$50,000	Director of General Accounting (or affiliate equivalent)	Sr. Director of Finance (or affiliate equivalent)
\$50,000 - \$250,000	Sr. Director of Finance (or affiliate equivalent)	VP Finance/CFO
> \$250,000	VP Finance/CFO and COO/CEO	VP Finance/CFO and COO/CEO
All Capital Leases (regardless of amount)	VP Finance/CFO and COO/CEO	VP Finance/CFO and COO/CEO

A lease has been executed when the lease agreement has been signed by the authorized individuals described above, and the Supply Chain Shared Services Center has issued a valid purchase order implementing the lease.

### **REFERENCES**


#### **JHHS Finance Policies and Procedures Manual**

- Policy No. FIN005 - Signature Authority: Minor Capital Shopping Carts
- Policy No. FIN006 - Signature Authority: Major Capital Shopping Carts
- Policy No. FIN008 - Signature Authority: Purchase Orders and Agreements Supported By Purchase Orders
- Policy No. FIN035 - Leases
- Policy No. FIN046 - Signature Authority: Real Property

Standard Register Form JHH # 15-960107 (Rev. 7/95) - JHHS Capital Equipment Request for Purchase/Lease Order

### **RESPONSIBILITIES**

- |                            |   |
|----------------------------|---|
| Corporate Legal Dept.      | Review and approve lease agreements if total exceeds \$50,000, or if there is evidence of liability exposure to JHHS or its affiliates.   |
| JHHS Capital Administrator | <p>Solicit competitive lease proposals. Negotiate lease terms and conditions with lessor or lender. Complete Life-Cycle-management Analysis.</p> <p>Analyze and categorize leases according to FASB13.</p> <p>File lease acceptance agreement and forward copy to accounts payable for payment</p> <p>Process lease purchase order only when all appropriate signatures appear on the Capital Equipment Request for Purchase/Lease Order.</p> |

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**SPONSOR**

Executive Vice President/COO, JHHS

**REVIEW CYCLE**

Three (3) years

**APPROVAL**

\_\_\_\_\_  
 President, JHHS

\_\_\_\_\_  
 Date